

Housing and the Massachusetts Economy



Presented to the Chapter 40B Task Force
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Housing Costs



Across Massachusetts, housing costs have become an issue of economic competitiveness, though the impact varies widely by region.

Excessive housing costs contribute to the outmigration of workers and exacerbate labor shortages, increasing the difficulty of attracting and retaining workers.

Earnings Across Regions



While wages & salaries have grown across the state over the last decade, there have been great disparities with respect to the rate of growth.

Earnings Across Regions

Wages & salaries per employee in Greater Boston increased more than 4 times as much as in Western Massachusetts (27% versus 6%)

- (Middlesex County: 36%)
- (Hampshire County: >1%)

Labor Force & The Massachusetts Economy



Human capital is our most important resource!

- Massachusetts has built its economic success on a highly skilled, highly educated workforce.

Labor Force & The Massachusetts Economy

- During the 1990s, the Massachusetts labor force grew by less than 2%.
- During the 1990s, the United States labor force grew by almost 14%.

Labor Force & The Massachusetts Economy

Slow growth in the labor force poses a serious threat to the state's ability to sustain a healthy economy. The lack of adequate labor supply may prevent new companies from locating in Massachusetts and prevent existing firms from locating here.

Labor Force & The Massachusetts Economy

- The proportion of 20-34 year-olds in Massachusetts declined by nearly 18% during the 1990s.
- Developing strategies to stop the outmigration of young, well-educated workers is a promising way to expand our labor force.

Housing Costs and Population Migration



- For many working age families, our state's higher cost of living more than offsets the higher pre-tax salaries they are likely to earn in Massachusetts.
- Strong circumstantial evidence in the form of large numbers of residents migrating to other states even during economic good times, suggests that many working-age residents already understand they can get a better overall economic deal elsewhere.
 - Roughly 220,000 residents moved out of Massachusetts in the 1990's.

Economic Expansion in the 1990s



Expansion in computer/data processing, engineering research, and architectural service accounted for 25% of net new jobs during the 1990s.

Economic Expansion in the 1990s

- The primary result of concentrated job growth in high-end industries was a sharp increase in demand for 4-year college graduates.
- By the end of the decade, labor shortages in these key occupational segments along with construction trade became a constraint on economic growth in the state.

Housing Costs

- The cost of living in Massachusetts is estimated to be 10%-26% greater than the national average.
 - Housing costs are the primary determinant of a state's cost of living.

Housing Costs



- From 1996-2001, home prices in Massachusetts increased 62%.
- During the same time, home prices rose nationally by 36%.

Income Disparity in Massachusetts



At the end of the 1990s, families in the top 20% of the income distribution earn 11 times more than families in the bottom 20% of the income distribution.

Homeownership & Income

- Massachusetts has the 5th lowest rate of homeownership in the country, despite its above-average incomes.
 - The gap in homeownership rates is largest for incomes below \$50,000.

Housing & Income



- In 1980, the median Massachusetts home cost roughly twice as much as median household income.
- In 2000, the median house cost 3.9 times as much as median household income.

Housing Supply

- During the 1990s, the rate of new home construction in Massachusetts was one of the lowest in the country.
 - Limited new supply combined with very high prices contributed to growing affordability problems and increased housing burdens on renters and homeowners.

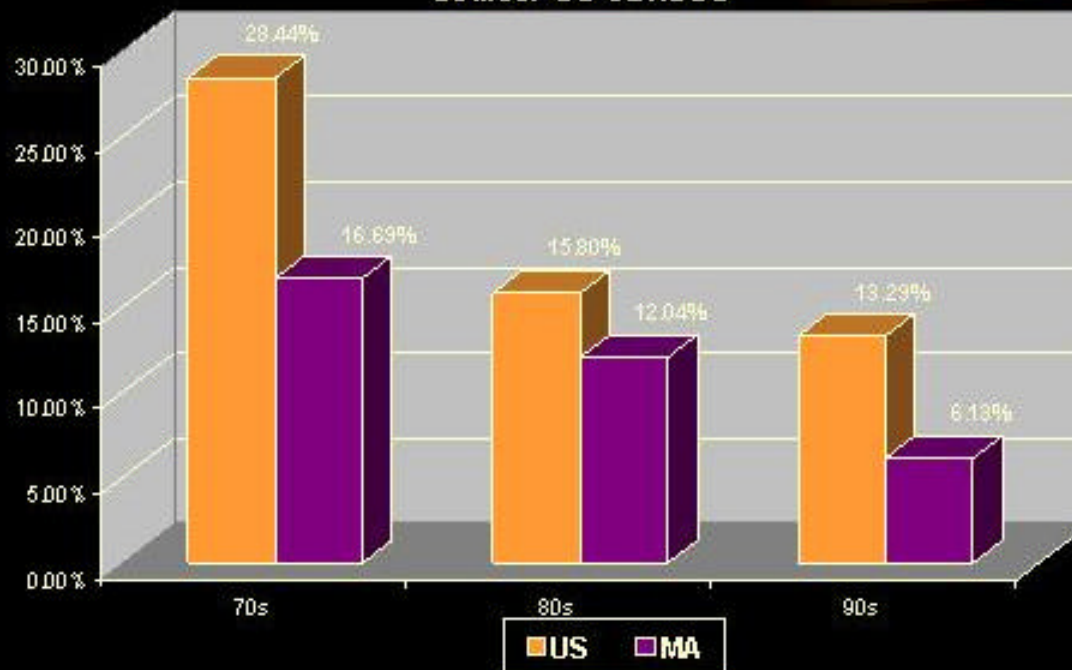
Housing Supply

- Massachusetts ranks 46th out of 50 states in building permits per capita
- Single family listings have been declining since 1996
- Multi-family permits in the 1980s averaged 6,792 per year...in the 1990s they averaged only 1,317 per year

Housing Supply

Year Round Housing Unit Growth Rates

Source: US CENSUS



Housing Market and Long-Term Economic Sustainability

“Improvements in housing affordability and homeownership rates could help promote the attainment of the American dream by more state families, assist in reducing income and wealth disparities, increase community and civic pride, and provide a larger and more stable workforce and increase the long-term economic competitiveness of the state.”

Source Data and Findings



The State of the American Dream in Massachusetts, 2002

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